



2025 HILL COUNTY INVESTMENT POLICY

I. INVESTMENT SCOPE

GENERAL STATEMENT

This policy serves to satisfy the statutory requirements of Local Government Code 116.112 and “Public Funds Investment Act” (PFIA) Government Code Chapter 2256 to define and adopt a formal investment policy. This policy will be reviewed and adopted annually by the Hill County Commissioners Court according to Government Code section 2256.005(e).

FUNDS INCLUDED

The investment policy applies to all financial assets of all funds of Hill County, Texas at the present time; any funds to be created in the future; any other funds held in custody by the County Treasurer; unless expressly prohibited by law or unless it is in contravention of any depository contract between Hill County and any depository bank.

II. INVESTMENT OBJECTIVES

Funds of the County will be invested in accordance with federal and state laws, this investment policy and written administrative procedures. The County will invest according to investment strategies for each fund as they are adopted by Commissioner’s Court resolution in accordance with 2256.005(d).

Safety

The County is concerned about the return of its principal; therefore, safety of principal is a primary objective in any investment transaction.

Liquidity

The County’s investment portfolio must be structured in conformance with an asset/liability management plan that provides for liquidity necessary to pay obligations as they become due, utilizing investment instruments, the final maturity of which, is one (1) year or less unless approved in advance by the Investment Committee.

Diversification

It will be the policy of the County to diversify its portfolio to eliminate the risk of loss resulting from a concentration of assets in a specific maturity (save and except zero duration funds), a

specific issuer or a specific class of investments. Investments of the County shall always be selected that provide for safety of principal, stability of income and reasonable liquidity prior to maturity.

Yield

It will be the objective of the County to earn the maximum rate of return allowed on its investments within the policies imposed by safety and liquidity objectives, investment strategies for each fund, and state and federal laws governing investment of public funds.

Maturity

Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the maximum rate of return consistent with liquidity requirements. When the County has funds not required to meet current-year obligations, maximum restraints will be imposed upon the investment strategy for each fund. The maximum allowable stated maturity of any individual investment owned by the County is three years.

Quality and Capability of Investment Management

It is the County's policy to provide training as required by the Public Funds Investment Act, Sec. 2256.008 and periodic training in investments for the County Treasurer, who is also named as the County Investment Officer, and other members of the Investment Committee through courses and seminars offered by professional organizations and associations in order to insure the quality, capability, professional expertise and timeliness of the County Investment Officer and other members of the Investment Committee in making investment decisions. The Investment Officer is required to receive 10 PFIA hours of education every two calendar years. Other members of the Investment Committee are encouraged to attend PFIA training sessions every two calendar years or as required by the PFIA. Certified Investment Officer (CIO) training is recommended for the Investment Officer. Members shall submit a copy of their respective certificates to the Investment Officer and the Commissioners Court as a matter of record.

III. INVESTMENT COMMITTEE RESPONSIBILITY

Investment Committee

It is further the purpose of this policy to establish an Investment Committee comprised of not less than five (5) members consisting of the County Judge, County Auditor, County Treasurer, one County Commissioner, and a Citizen at Large; and not more than seven (7) members with the addition of the Tax-Assessor Collector, District Clerk or another elected official not to include a County Commissioner. The Investment Committee derives its authority and responsibility from the Commissioners' Court. It will be the responsibility of the committee to oversee the investment of the County's funds and those proprietary and fiduciary funds that Hill County has the responsibility and authority to invest.

The Investment Officer shall serve as Chair of the Investment Committee and the position of secretary shall be determined by a vote of the Committee. Meetings may be called, as deemed necessary, by any Investment Committee member. The Investment Committee shall meet a minimum of four (4) times per year in person or online method (email, zoom, etc.), the schedule to be determined by the needs of the County and the Committee.

County's Investment Officer

In accordance with sec. 116.112 (a), Local Government Code and/or Government Code Section 2256.005 (f) and (g), the County Treasurer, shall serve as Investment Officer of the County. The County Investment Officer, under the supervision of the Commissioners' Court, may invest County funds that are not immediately required to pay obligations of the County.

If the investment officer has a personal business relationship with an entity, or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the County, the Investment Officer must file a statement disclosing that personal business interest, or relationship, with the Texas Ethics Commission and the Commissioners' Court in accordance with Government Code 2256.005(i).

In the administration of the duties of investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances that a prudent person would exercise in the management of the person's own affairs but the governing body of the county retains ultimate responsibility as fiduciaries of the assets of the County.

Liability of Investment Officer

In accordance with Sec 113.005 Local Government Code, the County Investment Officer is not responsible for any loss of the County funds through the failure or negligence of a depository. This section does not release the Investment Officer from responsibility for a loss resulting from the official misconduct or negligence of the Investment Officer, including a misappropriation of funds, or from responsibility for funds until a depository is selected and the funds are deposited. If the Investment Officer is other than the County Treasurer, that person must be fully bonded.

Citizen Member of Committee

The citizen member of the Investment Committee shall not be included on the Broker Dealer Listing. The citizen member shall refrain from personal business activity that could conflict with proper execution of the County's investment program or which could impair their ability to make impartial investment decisions.

Competitive Bidding Method of Monitoring

In order to achieve a fair market price in all its investment transactions, the County requires a competitive bidding process for all individual security purchases and sales except for transactions in money market mutual funds, local government investment pools, and depository "sweep" products. At least three bids or offers must be solicited for all other transactions involving individual securities. The County's investment advisor is also required to solicit at least three bids or offers when transacting trades on the County's behalf. In situations where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price for the security.

Investment Advisors

The County may designate, with approval from the Investment Committee and Commissioners Court, a professional investment advisory firm, registered with the Securities and Exchange Commission under the 1940 Investment Advisors Act, as well as the State Securities Board to assist the County in the management of its funds. This investment advisor shall act solely in an advisory

and administrative capacity within the guidelines of this policy. The County's relationship with the advisor shall be governed by a formal management contract between the two parties.

IV. INVESTMENT OBJECTIVE SUMMARY

The overall investment objectives of the County shall be to:

- Match the suitability of investments to financial requirements;
- Achieve safety of principal;
- Maintain required liquidity;
- Diversify the portfolio by investment type, issuer and maturity sector; and
- Seek the highest possible yield within policy and cash flow constraints.

V. INVESTMENT RESPONSIBILITY AND CONTROL

Investment Institutions Defined

The Investment Officer shall invest County funds with any or all of the institutions or groups consistent with federal and state law and the current depository contract.

- Depository and/or sub-depository bank
- Other state or national banks domiciled in Texas that are insured by FDIC;
- State or national credit unions domiciled in Texas that are insured by National Credit Union Association (NCUA)
- Public funds investment pool; or
- Primary government securities brokers and dealers

Qualification for Approval of Broker/Dealers

In accordance with 2256.005(k), a written copy of this investment policy shall be presented to any person seeking to sell to the County an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument, provided by the County that the business organization has:

- Received and thoroughly reviewed the Investment Policy of the County; and acknowledges that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the County and the organization.

The investment officer may not purchase any securities from a person who has not delivered to the County an instrument in substantially the form provided above according to Section 2256.005(l).

Along with the signed affidavit the business organization shall supply the County with the following:

- Completed Broker/Dealer questionnaire.
- Completed Anti-Collusion Agreement.
- Executed PSA Master Repurchase Agreement (*primary* dealers only).
- Financial statements (to be provided annually).
- Delivery Instructions.
- NASD Certification Proof

- Texas State Securities Commission Registration Proof

On an annual basis, the Investment Committee shall review, revise, and adopt a list of qualified brokers authorized to engage in investment transactions with the County.

If the County chooses to utilize the services of an Investment Advisor, the advisor shall be responsible for performing due diligence on the dealers with which it conducts investment transactions.

Standard of Operation

The County Investment Officer shall develop and maintain written administrative procedures for the operation of the Investment program, consistent with this investment policy

Delivery vs. Payment (DVP)

It will be the policy of the County that all investment securities shall be purchased using “Delivery vs. Payment,” (DVP) method through the Federal Reserve System. By doing so, the County funds are not released until the County has received through the Federal Reserve wire, the securities purchased.

Standard of Ethics

The designated Investment Officer shall act as custodian of the public trust avoiding any transaction, which might involve a conflict of interest, the appearance of a conflict of interest, or any activity, which might otherwise discourage public confidence. The Investment Officer shall refrain from personal business activity that might conflict with proper execution of the investment program or might impair their ability to make impartial investment decisions. Additionally, the Investment Officer shall file with Hill County and the Texas Ethics Commission, a statement disclosing any personal business relationship with any organization seeking to sell investments to the County or any relationship within the second degree of affinity or consanguinity to an individual seeking to sell investments to the county.

For purposes of this subsection, an Investment Officer has a personal business relationship with a business organization if:

- the Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- funds received by the Investment Officer from the business organization exceed 10 percent of the Investment Officer’s gross income for the previous year; or
- the Investment Officer has acquired from the business organization, during the previous year, investments with a book value of \$2,500 or more for the personal account of the Investment Officer.

Downgrade Provision for Investment Ratings

An investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have the minimum rating. The County shall take all prudent measures that are consistent with its Investment Policy to liquidate an investment that does not have the minimum rating.

VI. INVESTMENT REPORTING

Portfolio Market Valuation

All securities held in the County investment portfolio shall be priced at the current market value on a quarterly basis and reported as part of the Quarterly Investment Report. Regular market-to-market pricing will ensure awareness of portfolio value and price volatility by County officials. Market values should be obtained from a reputable and independent source including but not limited to Bloomberg, the Wall Street Journal, and Interactive Data Corporation (IDC).

Quarterly Investment Report

Not less than quarterly, the Auditor shall prepare and submit to the County Investment Committee and the County Commissioners Court a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. The report must:

1. describe in detail the investment position of the County on the date of the report;
2. be signed by the Investment Officer of the County, as well as the Auditor;
3. contain a summary statement of each pooled fund group that states the;
 - beginning market value for the reporting period;
 - additions and changes to the market value during the period; and
 - ending market value for the period
4. state the book value and market value of each separately invested asset at the beginning and the end of the reporting period by the type of asset and fund type invested;
5. state the maturity date of each separately invested asset that has a maturity date;
6. state the account, fund or pooled group fund in the County for which each individual investment was required; and
7. state the compliance of the investment portfolio of the County as it relates to:
 - strategy as expressed in the Investment Policy; and
 - relevant provisions of the Public Funds Investment Act.

The independent auditor shall review reports annually with findings presented to the County Commissioners Court.

Notification of Investment Changes

It shall be the duty of the County Investment Officer to notify the County Commissioners Court of any significant changes in the current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.

VII. INVESTMENT COLLATERAL AND SAFEKEEPING

Collateral Policy

Pursuant to the requirements of Government Code 2256 and consistent with the requirements of the Public Funds Collateral Act, Government Code 2257; the County requires full collateralization of all funds on deposit with a depository bank, other than investments. In order to anticipate market

changes and provide a level of security for all funds, the collateralization level will be 105% of market value of principle and accrued interest on the deposits or investments less an amount insured by the Federal Deposit Insurance Corporation (FDIC). Securities pledged as collateral shall be held by an independent third party with whom the County has a current custodial agreement. The County Judge shall be responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A safekeeping receipt must be supplied to the County. Collateral shall be reviewed monthly by the County Investment Officer, County Judge, and County Auditor to assure that the market value of pledged securities is adequate.

Financial institutions serving as County Depositories are required to sign a Depository Agreement with the County and the County's Investment Officer/safekeeping agent. The safekeeping portion of the Agreement will define the County's rights to collateral in the event of default, bankruptcy, or closing and will establish a perfected security interest in compliance with federal and state regulations. In addition, repurchase agreements must be fully collateralized during the term of agreement.

Allowable Collateral

Securities eligible as collateral are defined by the Public Funds Collateral Act, as amended, and include all securities permitted under the Public Funds Investment Act. Collateral adequacy shall be verified against monthly safekeeping reports. More frequent verification may be required during periods of high market volatility.

- **CERTIFICATE OF DEPOSIT**
The market value of the principal portion of collateral pledged for certificates of deposit must be at all times *equal to or greater than* the par value of the certificate of deposit plus accrued interest, less the applicable level of FDIC/NCUA insurance.
- **REPURCHASE AGREEMENTS**
A repurchase agreement's collateral level must be maintained *at or about* 105% of the agreement's outstanding balance plus accrued interest.

Correcting Collateral Deficiencies

- **CERTIFICATES OF DEPOSIT**
If the collateral pledged for a Certificate of Deposit (CD) falls below the par value of the deposit, plus accrued interest less FDIC/NCUA insurance, the bank or credit union issuing the CD will be notified by the Investment Officer(s) and will be required to pledge additional securities no later than the end of the next succeeding business day.
- **REPURCHASE AGREEMENTS**
If the value of the securities underlying a repurchase agreement falls below the margin maintenance levels specified above, the Investment Officers will request additional securities. If the repurchase agreement is scheduled to mature within five business days and the amount is deemed to be immaterial, then the request is not necessary.

Collateral Substitution

Collateralized certificates of deposit and repurchase agreements often require substitution of collateral. Any broker, dealer or financial institution requesting substitution must contact the Investment Officer(s) for approval and settlement. The substituted security's value will be calculated and approved if its value is equal to or greater than the required security level. Substitution is permitted, but should be limited if possible, to minimize potential administrative problems and transfer expense.

Safekeeping

All purchased securities shall be held in safekeeping in the County, or a County account in a third party financial institution, or with the Federal Reserve Bank.

All certificates of deposit, insured by the FDIC/NCUA, purchased outside the County Depository Bank shall be held in safekeeping in the County.

All pledged securities by the County Depository Bank shall be held in safekeeping with the Federal Reserve Bank and/or a custodial bank approved by the Commissioners Court.

VIII. INVESTMENT TYPES

Authorized Investments

The County Investment Officer shall use any or all of the following authorized investment instruments consistent with Title X, Chapter 2256, Texas Government Code:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of this state or its agencies and instrumentalities;
3. No-load money market mutual funds if the mutual fund;
 - is regulated by the SEC;
 - has a dollar-weighted average stated maturity of 90 days or less;
 - includes in its investment objectives the maintenance of a stable \$1.00 net asset value per each share;
 - is limited as the amount invested per the requirements set forth in Government Code Section 2256.014; and
 - has supplied the County with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940.
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state or the United States or their respective agencies or instrumentalities; and
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
6. Certificates of deposit, if issued by a state or national bank or credit union domiciled in this state and are;

- guaranteed or insured by the FDIC/NCUA or its successor;
- secured in any other manner and amount provided by law for deposits of the County.

7. Eligible investment pools approved by the Investment Committee and the County Commissioners' Court by resolution authorize investment in the particular pool. The investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. The County by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

Prohibited Investments

The following securities are not eligible investments for Hill County:

1. An obligation whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
3. Collateralized mortgage obligations that have a stated maturity date of greater than ten (10) years.
4. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

IX. INVESTMENT FUND STRATEGIES

It is the policy of Hill County that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, adopted Investment Policy and adopted Investment Strategy. In accordance with the Public Funds Investment Act, the County's Investment strategies shall address the following priorities (in order of importance):

- Understanding the suitability of the investment to the financial requirements of the County,
- Preservation and safety of principal,
- Liquidity,
- Marketability of the investment prior to maturity,
- Diversification of the investment portfolio, and
- Yield.

Effective investment strategy development coordinates the primary objectives of the County's Investment Policy and cash management procedures to enhance interest earnings and reduce investment risk. Active cash management will increase the available "investment period" and subsequently interest earnings. Maturity selections shall be based on cash flow and market conditions to take advantage of various interest rate cycles. The County's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with the Investment Policy.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore specific strategies shall be implemented considering the fund's unique requirements. County's funds shall be analyzed and invested according to the following major fund types:

Fund Investment Strategy

GENERAL FUND - Accounts for all financial resources traditionally associated with governments which are not required legally to be accounted for in another fund. Shall be invested to insure funds are available to meet operating demands.

SPECIAL REVENUE FUNDS - Accounts that are legally restricted to expenditure for a particular purpose. Maturity no longer than twelve (12) months except on special projects for which the department can provide cash flow projections.

DEBT SERVICE FUND - Accumulated for payment of general obligation bond principal and interest from government resources and special assessment bond principal and interest from special assessment levies when the government is obligated in same manner for payment. Invested to meet obligation payments on February 15th and August 15th each year.

CAPITAL PROJECT FUNDS - Acquisition and construction of major capital facilities. Invested to meet needs over the length of the project. Based on cash flow projections provided by the appropriate entity.

SURPLUS FUNDS - Funds not expended during a budget year. Shall be maintained and accounted for using generally accepted accounting principles.

INVESTMENT STRATEGIES

In order to minimize risk of loss due to interest rate fluctuations investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines are as follows:

- **SUITABILITY** - Any investment eligible in the Investment Policy is suitable for the Operating Funds.
- **SAFETY OF PRINCIPAL** - All Operating Funds shall be invested in high quality securities with no perceived default risk. Market price fluctuations will occur, but by managing the portfolio's weighted average maturity to less than 365 days and restricting the maximum allowable maturity to three years, the price volatility of the overall portfolio will be minimized.
- **MARKETABILITY** - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.
- **LIQUIDITY** - The Operating Fund requires the greatest short-term liquidity of any of the fund types. Short-term investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.
- **DIVERSIFICATION** - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County. Market cycle risk will be reduced by diversifying the appropriate maturity structure.
- **YIELD** - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The 6-month Constant Maturity Treasury (CMT) bill shall be the minimum yield objective.

INVESTMENT POLICY ADOPTION [PFIA 2256.005(e)]

The County Investment Policy shall be approved by the Investment Committee and adopted by resolution of the Commissioners Court. It is the County's intent to comply with state laws and

regulations. This Investment Policy shall be subject to revisions consistent with changing laws, regulations and needs of the County. The County Commissioners Court shall adopt a resolution stating that it has reviewed the policy and investment strategies annually, approving any changes or modifications.



2025
INVESTMENT POLICY
HILL COUNTY, TEXAS

The Hill County Investment Committee hereby approves the 2025 Investment Policy and recommends to the Hill County Commissioners Court that said policy be approved as presented.

In witness thereof our signatures are hereunto affixed this the ____ day of _____, 2025.

Rachel Parker
County Treasurer

Susan Swilling
County Auditor

Shane Brassell
County Judge

Martin Lake
Commissioner Precinct 3

Marchel Eubank
District Clerk

Krystal Hightower
Tax Assessor/Collector

John Sawyer
Citizen Member



INVESTMENT POLICY HILL COUNTY, TEXAS

For the year beginning January 1, 2025

The Hill County Investment Committee, having reviewed and approved the Hill County Investment Policy on _____, 2025 respectfully requests the Commissioners' Court of Hill County approve said policy as presented.

Rachel Parker
Hill County Treasurer

Approved by the Commissioners' Court of Hill County this _____ day of _____ 2025.

Shane Brassell, County Judge

James Holcomb, Commissioner
Precinct 1

Larry Crumpton, Commissioner
Precinct 2

Scotty Hawkins, Commissioner
Precinct 3

Martin Lake, Commissioner
Precinct 4

Attest:

Nicole Tanner
County Clerk